

## Message Text

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44

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 /093 W

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R 181600Z JUN 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC 1630

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

1. SUMMARY. BALANCE OF PAYMENTS FOR MAY REGISTERED  
DEFICIT OF \$181.4 MILLION. 1975 BALANCE OF PAYMENTS  
THROUGH FIRST FIVE MONTHS SHOWED \$412.3 MILLION CUMULA-  
TIVE DEFICIT. FOR SAME PERIOD ADJUSTED BALANCE OF PAY-  
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MENTS RECORDED CUMULATIVE SURPLUS OF \$7.7 MILLION. NET

MARKET INTERVENTION DURING MAY WAS PLUS \$44.5 MILLION.  
REPAYMENT IN FIRST HALF MONTH OF \$70 MILLION ON 1973  
IMI EUROMARKET BORROWING MAJOR EXTRAORDINARY TRANSACTION  
DURING MAY. END SUMMARY.

2. MONETARY MOVEMENTS DATA FOR MAY RECORDED DEFICIT OF  
\$181.4 MILLION. CHANGES IN RESERVES DURING PERIOD  
WERE DECREASE IN BOI CONVERTIBLE CURRENCY HOLDINGS OF  
\$150.7 MILLION, DECREASE IN COMMERCIAL BANKS' NET FOREIGN  
LIABILITIES BY \$2.1 MILLION, INCREASE IN BOI SHORT-TERM  
LIABILITIES BY \$22.0 MILLION, INCREASE IN BOI MEDIUM AND  
LONG-TERM LIABILITIES BY \$7.0 MILLION, AND DECREASE  
IN BOI'S SDR HOLDINGS BY \$3.8 MILLION. INTEREST PAID ON  
ITALY'S FOREIGN DEBT IN MAY TOTALED \$69.4 MILLION.  
DURING FIRST HALF MAY IMI MADE \$70.0 MILLION REPAYMENT ON  
1973 EUROMARKET LOAN. NO COMPENSATORY LOAN REPAYMENTS  
WERE MADE IN LAST HALF OF MAY.

3. EXCHANGE MARKET INTERVENTION DURING MAY RESULTED IN  
NET GAIN OF \$44.5 MILLION. ERCOLANI, HEAD OF BOI FOR-  
EIGN EXCHANGE OPERATIONS, SAID THAT FOR JUNE 1 THROUGH  
17 PERIOD NET MARKET INTERVENTION WAS APPROXIMATELY PLUS  
\$70.0 MILLION. ON JUNE 13, 16 AND 17, LATTER TWO DAYS  
BEING FIRST DAYS EXCHANGE MARKET OPEN IN ITALY AFTER  
REGIONAL ELECTION RESULTS BECAME KNOWN, ERCOLANI DES-  
CRIBED INTERVENTION AS VERY HEAVY  
ON THE 13, HEAVY ON THE 16, AND VERY LIGHT ON THE 17.  
GIVEN POSSIBILITY OF EXCHANGE MARKET PRESSURES FOLLOWING  
ELECTIONS, THREE-DAY RESULTS SOMEWHAT MORE FAVORABLE THAN  
ANTICIPATED.

4. BALANCE OF PAYMENTS CUMULATIVE DEFICIT FOR FIRST  
FIVE MONTHS OF 1975 OF \$412.3 MILLION WAS  
FINANCED BY DECREASE IN BOI FOREIGN EXCHANGE ASSETS OF  
\$194.6 MILLION, DECREASE IN SDR HOLDINGS OF \$22.8  
MILLION, INCREASE IN BOI SHORT-TERM LIABILITIES OF \$7.0  
MILLION, DECREASE IN BOI MEDIUM AND LONG-TERM LIABILITIES  
OF \$101.3 MILLION, AND INCREASE IN NET SHORT-TERM BOR-  
ROWINGS OF COMMERCIAL BANKS OF \$289.2 MILLION.

5. ON JUNE 17, FOLLOWING FINANCIAL RATES PREVAILED;  
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LIRA EXCHANGE RATE WAS 624.45 LIRE PER DOLLAR, THREE-  
MONTH FORWARD RATE WAS 630.45 LIRE PER DOLLAR, WEIGHTED  
AVERAGE DEVALUATION OF LIRA, ACCORDING TO BOI INDEX, WAS  
20.82 PERCENT COMPARED TO FEBRUARY 9, 1973 BASE PERIOD,  
BLACK MARKET RATE IN MILAN WAS 635 LIRE PER DOLLAR,  
THREE-MONTH EUROLIRA INTEREST RATE WAS 9 3/4 PERCENT,  
LIRA INTERBANK FORTY-EIGHT HOUR RATE WAS 8.6875 PER-  
CENT AND LIRA INTERBANK THREE-MONTH RATE WAS 9.5625

PERCENT. VOLPE

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## Message Attributes

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